



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

July 16, 2007

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **FISCAL MONITORING OF DEPARTMENT OF COMMUNITY AND
SENIOR SERVICES' FISCAL YEAR 2005-2006 WORKFORCE
DEVELOPMENT PROGRAM SERVICES**

The Department of Community and Senior Services (CSS) contracts with cities and community-based, non-profit organizations (service providers) to provide Workforce Development (WD) program services. WD program services include job search training, job placement assistance and career counseling to low income or at-risk adults and youth.

CSS' WD contracts are fee-for-service agreements under which providers are paid a set fee for each unit of service provided. The WD contracts also require that, if a provider's actual costs are less than the total amount the provider is paid, the provider must either get approval from CSS to use the excess earnings to provide WD services, or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accountant, Moss, Levy & Hartzheim (MLH), to conduct fiscal monitoring of 14 WD service providers that had contracts with CSS during Fiscal Year (FY) 2005-06. CSS paid approximately \$1.2 million to the WD service providers during the year.

The fiscal monitoring was done in two phases. Phase I on-site visits covered the contract period from July 1, 2005 through March 31, 2006. During Phase II, MLH followed up on the findings and recommendations from the Phase I reports.

REVIEW SUMMARY

Attachment 1 summarizes the total number of findings for each service provider. MLH identified \$9,061 in findings, primarily related to improperly allocated costs, costs not adequately documented, and costs that were incorrectly recorded in the providers' accounting records. If these findings are not resolved, the service providers will need to adjust their revenues and/or expenses, which could result in excess earnings. As noted earlier, if fee-for-service providers have excess earnings, the funds must either be used to provide WD services or be returned to CSS. During the FY 2006-07 WD fiscal monitoring, the monitors will determine whether any of the providers had excess earnings for FY 2005-06.

MLH also prepared a management letter (Attachment 2), which includes recommendations for CSS to penalize providers who submit invoices late, and to have a current and signed Memorandum of Understanding with the Department of Health Services which indicates the term of agreement, type of services to be provided, and the contract amount.

REVIEW OF REPORT

Each report was discussed with CSS and the appropriate service provider. CSS has indicated that they will work with the service providers to resolve all of MLH's findings by October 31, 2007. Attachment 3 is CSS' response and action plan to address MLH's recommendations.

Because of the number of service providers, copies of individual reports are not enclosed, but are available for your review. Please call if you have any questions, or have your staff call Terri Kasman at (626) 293-1121 if you wish to review any reports.

JTM:MMO:JLS:TK
H:\CSS WD 05-06 Board Letter

Attachments

- c: David E. Janssen, Chief Executive Officer
- Cynthia D. Banks, Director, Department of Community and Senior Services
- Sachi A. Hamai, Executive Officer
- Public Information Office
- Audit Committee

**Department of Community and Senior Services
Fiscal Monitoring of Workforce Development Service Providers
Fiscal Year 2005-06**

Attachment 1

	Service Provider	Number of Recommendations	Number of Recommendations Implemented	Dollar Findings for Fee-for-Service Contracts				
				A	B	C	D	Total
1	Community Build	3	1		\$220			\$220
2	David & Margaret	4	2					
3	Department of Health Services	8	2		\$630 (1)	(1)		\$630 (1)
4	Door of Hope Community Ctr.	0	0					
5	GLASS	6	1	(1)				(1)
6	HELP Group	1	0					
7	Jewish Vocational Service	6	3		(1)	(1)		(1)
8	Jovenes, Inc.	9	2	(1)	\$502	(1)	X	\$502 (1)
9	L.A. Community College District	8	5					
10	L.A. Works (ESGVC)	4	3		(1)			(1)
11	Penny Lane	4	3		(1)			(1)
	Pomona Valley Youth Employment Services	2	2					
12	Services	6	3			\$169 (1)		\$169 (1)
13	Special Service For Groups	4	1		\$7,540	(1)		\$7,540 (1)
14	Starview							
Total		65	28 (2)		\$8,892	\$169		\$9,061 (2)

Code Summary

- A** No documentation to support the cost allocation method, or expenses were improperly allocated to the programs
- B** No documentation to support expenditures or units of service billed
- C** Program expenditures or revenues are inappropriately recorded on service provider's accounting records
- D** Service provider is showing signs of financial instability

- (1) Moss, Levy & Hartzheim was not able to determine the dollar value of one or more findings in this category.
- (2) Service providers corrected \$8,840 in findings after Moss, Levy & Hartzheim's Phase I site visits. Remaining balance of open findings is \$221.

MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS
9107 WILSHIRE BLVD., SUITE 400
BEVERLY HILLS, CALIFORNIA 90210

TELEPHONE (310) 273-2745
FAX (310) 273-1689
E-MAIL: mlhbh@pacbell.net

MEMBER:

ROBERT M. MOSS, C.P.A.
RONALD A. LEVY, C.P.A.
CRAIG A. HARTZHEIM, C.P.A.
HADLEY HUI, C.P.A.

THOMAS LEUNG, C.P.A.
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OFFICES:

BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

March 1, 2007

Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Re: Work Order No. 7-26A, 2005-06 CSS Workforce Development Programs Fiscal Monitoring

In planning and performing the 2005-06 Department of Community and Senior Services (CSS) Workforce Development Programs Fiscal Monitoring, we noted certain matters involving the Department of Community and Senior Services' internal control structure relating to accounting and contract administration that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report grant expenditures.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the Workforce Development Program grant expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one weakness involving the internal control that we consider to be a material weakness.

The scope of our engagement was limited to monitoring Workforce Development Service Providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the use of the County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

The following findings that we feel need to be reported are:

A. Finding – No negative consequences for invoices not submitted timely:

We noted that numerous reimbursement invoices have been submitted to CSS late, but there were no negative consequences for this tardiness.

Recommendation:

We recommend that CSS penalize Service Providers who submit their reimbursement invoices after the required date.

B. Finding – Department of Health Services MOU was not amended (extension) for the new fiscal year's program:

We noted that the Memorandum of Understanding (MOU) between CSS and the Department of Health Services expired on 6/30/05 and was not extended, nor was a new MOU signed.

Recommendation:

We recommend that CSS and the Department of Health Services prepare an MOU to be signed by both parties, which outlines the term of the agreement, what type of services are to be provided by the Department of Health Services, the contract amount, and the specific type of expenditures allowed to be charged against the grant.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, CA



CYNTHIA D. BANKS
Director

**COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY**

3175 WEST SIXTH STREET • LOS ANGELES, CA 90020-1708 • (213) 637-0798 (213) 380-8275 FAX

"To Enrich Lives Through Effective And Caring Service"

Attachment 3

BOARD OF SUPERVISORS

GLORIA MOLINA
YVONNE B. BURKE
ZEV YAROSLAVSKY
DON KNABE
MICHAEL D. ANTONOVICH

June 5, 2007

To: J. Tyler Mcauley
Auditor-Controller
Cynthia D. Banks (cc)
From: Cynthia D. Banks
Director
Subject: **WORKFORCE DEVELOPMENT PROGRAM
SERVICE PROVIDERS AUDIT REVIEW**

The following is Community and Senior Services (CSS) response to Moss, Levy, & Hartzheim, LLP, Certified Public Accountants, audit review and findings for FY 2005-06 Workforce Development Program contract service providers.

Finding #1 – No negative consequences for invoices not submitted timely

We noted that numerous reimbursement invoices have been submitted to CSS late, but there were no negative consequences for this tardiness.

Recommendation #1

We recommend that CSS penalize service providers who submit their reimbursement invoices after the required date.

CSS Response

We are in agreement with this recommendation. CSS will continue to work closely with our service providers, Moss, Levy & Hartzheim and the Auditor-Controller's office to correct this shortcoming.

Finding #2 – Department of Health Services MOU was not amended (extension) for the new fiscal year's program

We noted that the Memorandum of Understanding (MOU) between CSS and the Department of Health Services expired on 6/3/05 and was not extended, nor was a new MOU signed.

J. Tyler McCauley
June 5, 2007
Page 2

Recommendation #2

We recommend that CSS and the Department of Health Services prepare an MOU to be signed by both parties, which outline the term of agreement, what type of services are to be provided by the Department of Health Services, the contract amount, and the specific type of expenditures allowed to be charged against the grant.

CSS Response

We acknowledge the lack of the documented renewal of the MOU but the grant ended at the close of this fiscal year and will not be renewed. CSS will ensure that all future MOUs are executed in a timely manner.

Should you have any questions, please contact Jackie Lynn Sakane, Program Manager, Contract Compliance Section, at (213) 739-7321 or your staff may contact Heberto Sanchez, Project Supervisor, at (213) 738-2675.

CDB:OS:JLS:hs